



Scott Fitzpatrick

Missouri State Auditor

Office of State Treasurer

Report No. 2025-041

July 2025

auditor.mo.gov



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Office of State Treasurer

Background

The Office of State Treasurer (STO) is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV, Section 15 are to be the custodian of all state funds; to determine the amount of state money not needed for current operating expenses; and to invest such money in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and bankers' acceptances.

The STO operates in five major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, (4) unclaimed property, and (5) program administration.

Governor Michael L. Parson appointed Scott Fitzpatrick as the forty-seventh State Treasurer, and he was sworn in on January 14, 2019. He served in this role until January 9, 2023, when he was sworn in as Missouri's thirty-ninth State Auditor. His term as State Treasurer was to expire in January 2025. Governor Michael L. Parson appointed Vivek Malek as State Treasurer and he was sworn in on January 17, 2023. From January 9, 2023, until January 17, 2023, Leslie Korte served as Assistant State Treasurer.

Investment Interest Improperly Retained

The STO did not handle investment interest income in accordance with state law for 2 new funds created during the fiscal year ended June 30, 2024. During the 2023 legislative session, the General Assembly appropriated money to 3 new state funds in House Bill 4 and House Bill 5 when determining appropriations designated for the Interstate 70 (I-70) expansion project. The Office of Administration (OA) then created the respective state funds to hold the related appropriations for the project: State Road Fund I-70 Project Bond Proceeds Fund, State Road Fund I-70 Project Fund, and OA I-70 Project Fund. Revenues into these funds came from the issuance of state road bonds and transfers from the General Revenue Fund. The STO credited interest income to these funds during the year ended June 30, 2024, totaling approximately \$4,781,000, \$364,000, and \$34,337,000 for State Road Fund I-70 Project Bond Proceeds Fund, State Road Fund I-70 Project Fund, and OA I-70 Project Fund, respectively.

Section 30.240, RSMo, specifies that unless otherwise provided by law, all interest received from the investment of state moneys shall be credited by the state treasurer to general revenue. The STO provided no constitutional or statutory provision to support that the State Road Fund I-70 Project Fund and the OA I-70 Project Fund are authorized to retain the investment interest income in each fund.

Oversight of the MOScholars Program	Improvements are needed in the oversight and monitoring procedures of the Missouri Empowerment Scholarship Accounts (MOScholars) Program. The STO did not conduct an annual audit of MOScholars Program accounts as required by state regulations. The STO did not have procedures in place to adequately review or monitor annual reports submitted by the Educational Assistance Organizations (EAOs). The audit identified a discrepancy in reported amounts.
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In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Office of State Treasurer

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Vivek Malek, State Treasurer
Jefferson City, Missouri

We have audited certain operations of the Office of State Treasurer in fulfillment of our duties under Chapter 29, RSMo. The State Auditor served as State Treasurer through January 9, 2023; therefore, the State Auditor recused himself from all portions of the audit involving decisions made by the Office of the State Treasurer pertaining to the year ended June 30, 2023. For that period, the Audit Director oversaw procedures performed by the State Auditor's professional audit staff. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Review the State Treasurer's oversight efforts over the Missouri Empowerment Scholarship Accounts (MOScholars) Program established pursuant to Sections 135.712 to 135.719, RSMo, and Sections 166.700 to 166.720, RSMo.
4. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) noncompliance with legal provisions, (3) deficiencies with the oversight of the MOScholars Program, and (4) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of State Treasurer.

A handwritten signature in black ink, appearing to read "R. Showers", followed by the letters "CPA" in a smaller, more stylized font.

Robert E. Showers, CPA, CGAP
Director of Audits

Office of State Treasurer

Introduction

Background

The Office of State Treasurer (STO) is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV, Section 15 are to be the custodian of all state funds; to determine the amount of state money not needed for current operating expenses; and to invest such money in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and bankers' acceptances.

Governor Michael L. Parson appointed Scott Fitzpatrick as the forty-seventh State Treasurer, and he was sworn in on January 14, 2019. He served in this role until January 9, 2023, when he was sworn in as Missouri's thirty-ninth State Auditor. His term as State Treasurer was to expire in January 2025. Governor Michael L. Parson appointed Vivek Malek as State Treasurer and he was sworn in on January 17, 2023. From January 9, 2023, until January 17, 2023, Leslie Korte served as Assistant State Treasurer.

Functional areas

The STO operates in five major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, (4) unclaimed property, and (5) program administration.

The accounting and banking services area (1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, (2) maintains ledger controls on fund balances and appropriations to assure no check is issued that exceeds the lawful appropriated balances, (3) controls receipt of state money collected by state agencies and deposited in local banks throughout the state, (4) reconciles bank activity to receipt and disbursement activity reflected on the state books, (5) determines the amount of state money not needed for current operating expenses, and (6) confirms daily disbursements with the bank as certified by the Office of Administration.

The general and administrative services area provides processing support to other areas of the office by (1) operating the central check mail service, (2) controlling and processing outlawed and replacement checks, and (3) processing invoices for office expenditures.

The investments and deposit programs area places state money not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, bankers' acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The unclaimed property area administers Missouri's Unclaimed Property Act of Chapter 447, RSMo. This area is responsible for (1) ensuring unclaimed



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property is reported, (2) receiving and recording reports of unclaimed property, (3) depositing unclaimed funds to the Abandoned Fund Account Fund, (4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and (5) processing owner claims for abandoned funds or physical property.

The program administration area administers all other programs under the authority of the State Treasurer, including the Missouri Empowerment Scholarship Accounts (MOScholars) Program, Missouri's 529 Education Plan (MOST), and Missouri's Achieving a Better Life Experience (ABLE) Program.

Employees

As of June 30, 2023, the STO had 43 full-time positions to assist in the accomplishment of its mission.

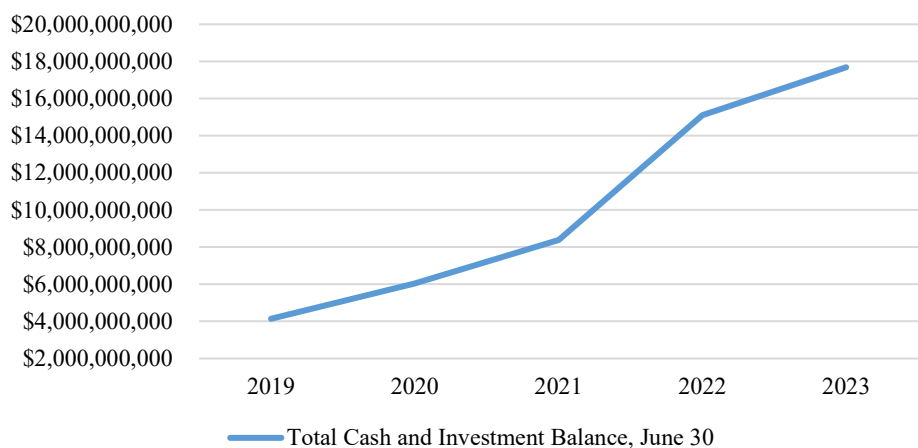
Financial activity

A summary of the office's operating financial activity, cash and investment balances, investment income, and unclaimed property activity is presented in Appendixes B through G and in the Notes to the Appendixes.

Trends in cash and investment activity

As shown in Figure 1, total cash and investment balances held by the State Treasurer have significantly increased from \$4.1 billion at June 30, 2019, to \$17.7 billion at June 30, 2023, for a 327 percent increase during this time period.

Figure 1: Total cash and investment balance at fiscal year end, 2019 to 2023



Source: STO records. See additional detail at Appendix E.

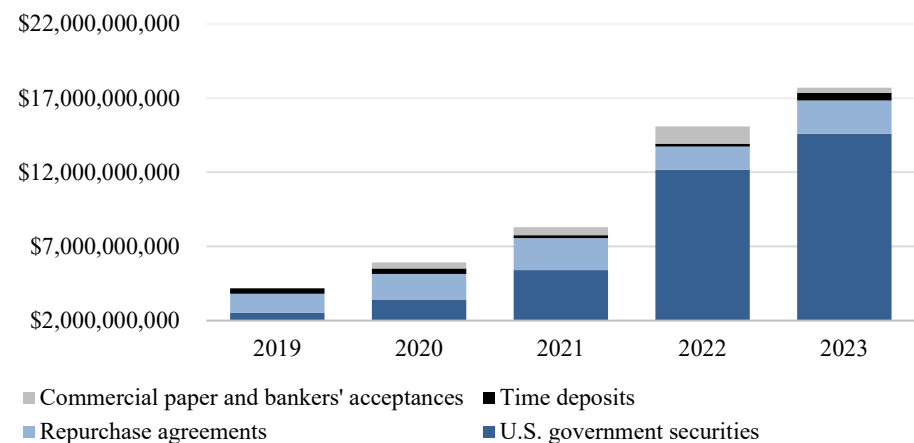
The STO is responsible for determining the amount of state money not needed for current operating expenses and investing such money in certain types of investments, such as time deposits, repurchase agreements, U.S. government securities, and commercial paper and bankers' acceptances, as required by



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state law and as provided in the STO's written investment policy.¹ Figure 2 shows the state's total pooled investments, by investment type, at June 30 of each year from 2019 through 2023.

Figure 2: Pooled investments, by investment type, at fiscal year end, 2019 to 2023



Source: STO records. See additional detail at Appendix E.

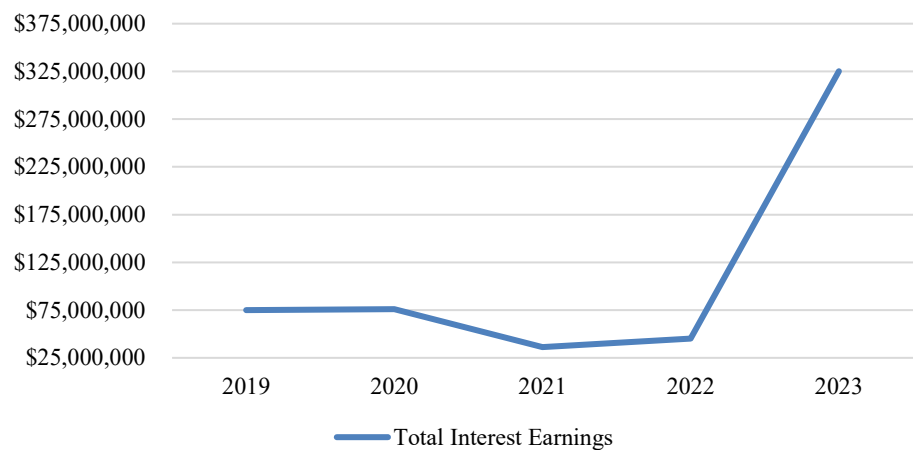
Figure 3 shows the significant increase in interest earned on pooled investments during fiscal year 2023. Historical investment reports maintained by the STO identified the effective interest rate for fiscal years 2019, 2020, 2021, 2022, and 2023, as 2.01 percent, 1.57 percent, 0.46 percent, 0.56 percent, and 2.43 percent, respectively. These interest rates, along with the increase in total pooled investments shown in Figure 2, have resulted in interest earnings totaling \$75.0 million, \$76.1 million, \$36.3 million, \$45.0 million, and \$325.2 million, for fiscal years 2019 through 2023, respectively, for a 333 percent increase in interest earnings during this time period.

¹ Allowable investments of the STO are discussed in Article IV, Section 15, Missouri Constitution; Section 30.260, RSMo; and the STO's written investment policy, available through the STO's website at <<https://treasurer.mo.gov/Invest/Investpolicy.pdf>>, accessed March 18, 2025.



Office of State Treasurer Introduction

Figure 3: Interest earned on pooled investments, by fiscal year, 2019 to 2023

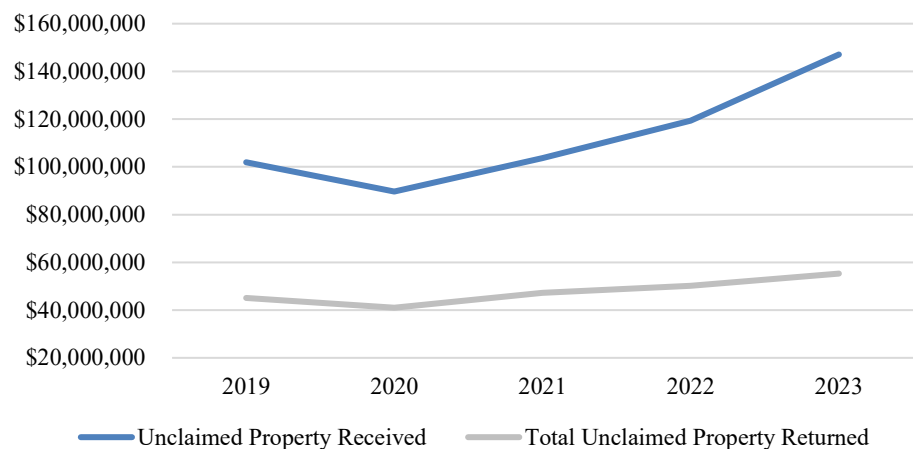


Source: STO records. See additional detail at Appendix F.

Trends in unclaimed property activity

As shown in Figure 4, with the exception of fiscal year 2020, unclaimed property received and returned to owners by the STO has consistently increased. From fiscal year 2019 to fiscal year 2023, unclaimed property received increased from \$101.9 million to \$147.1 million (44 percent), while unclaimed property returned increased from \$45.1 million to \$55.3 million (23 percent).

Figure 4: Unclaimed property amounts received and returned, by fiscal year, 2019 to 2023



Source: STO records. See additional detail at Appendix G.



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MOScholars Program

The MOScholars Program² was established by the Missouri General Assembly in 2021 to provide educational opportunities and resources to Missouri students and families. The program provides options for eligible families, allowing them to seek alternative educational services ranging from private schools to therapeutic services. The MOScholars Program began on July 1, 2022, for the fall semester of the 2022-2023 school year.

Through the MOScholars Program, scholarships are awarded to Missouri students with Individual Education Plans (IEPs) and students living in low-income households. The student scholarships are funded with donations to non-profit Educational Assistance Organizations (EAOs). Once approved by the STO, an EAO can receive qualified donations from individuals and businesses to establish scholarship accounts for the qualified students.³ The EAOs establish and maintain relationships with eligible schools⁴ to create a network of schools students may use scholarship funds⁵ to attend. The MOScholars Program does not reduce the funding received by a student's resident school district.⁶ Parents and students interested in applying for a MOScholars Program scholarship must do so through an EAO partnered with the school the student wishes to attend.

In return for making qualified donations to an EAO, state law allows for individuals and businesses⁷ that file a Missouri income tax return, to receive state tax credits. A MOScholars Program tax credit is equal to 100 percent of an eligible donation, not to exceed 50 percent of the donor's state tax liability for the tax year the credit is claimed. MOScholars Program tax credits may be carried forward for 4 subsequent tax years. The tax credit is not sellable, transferrable, or refundable. For the 2022-2023 school year, total tax credits were limited to \$25 million.

As of June 30, 2023, tax credits totaling approximately \$8.4 million were issued, and student scholarships totaling \$7.7 million were awarded to 1,360 students.

² House Bill 349 and Senate Bill 86, First Regular Session, 101st General Assembly (2021) established the MOScholars Program. The program is governed by Sections 135.712 to 135.719, and Sections 166.700 to 166.720, RSMo. For additional information on the MOScholars Program, see the STO's website at <<https://treasurer.mo.gov/MOScholars/>>, accessed March 18, 2025.

³ Qualified students are defined by Section 166.700(9), RSMo.

⁴ Eligible schools are defined by Section 166.700(8), RSMo.

⁵ Appropriate uses of scholarship funds are defined by Section 166.705.1(4), RSMo.

⁶ Continued funding to a student's resident school district is required by Section 166.720.4, RSMo.

⁷ Eligible donors are defined by Section 135.712.2(7), RSMo.



Office of State Treasurer Introduction

Scope and Methodology

The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2023. During our audit fieldwork we became aware of concerns regarding the allocation of interest proceeds occurring after June 30, 2023. Therefore, we expanded the audit's scope to include interest allocations made by the STO during the year ended June 30, 2024.

As indicated in the State Auditor's Report, the State Auditor recused himself from all portions of the audit involving decisions made by the Office of the State Treasurer pertaining to the year ended June 30, 2023. Similarly, the State Auditor recused all SAO executive staff members who previously served in the Office of the State Treasurer from all portions of the audit involving the same time period.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, contractual agreements, and other pertinent documents; interviewing various personnel of the STO; gathering information regarding various expenditure transactions, applicable laws and regulations; and performing sample testing using haphazard, judgmental, and random selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected.

We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of applicable contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We performed tests and procedures to (1) evaluate the office's internal control system; (2) evaluate procedures for compliance with statutory requirements, state regulations, and contract provisions; (3) review the MOScholars Program; and (4) evaluate the economy and efficiency of certain management practices and procedures. This included performing the following reviews and evaluations:

- We reviewed applicable state laws and written policies and procedures; interviewed various office personnel; and evaluated current office operations.
- We reviewed the office's revenue, expenditure, and payroll activity; applied analytical procedures to balances; and judgmentally selected and tested a sample of 8 expenditure transactions from areas not reviewed during the annual statewide financial statement audit.



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- We evaluated the Office of State Treasurer's (STO) compliance with legal provisions relating to the Sunshine Law; various banking contracts, including compensating balance requirements; and requirements regarding the handling of investment interest income.
- We reviewed interest allocation, distribution, and amortization procedures, including testing the interest handling for a sample of 63 state funds.
- We reviewed the MOScholars Program and evaluated the STO's compliance with program and contract requirements. We reviewed internal controls, policies and procedures, program revenues and expenditures, statutory requirements, contracts, STO governance and monitoring procedures, and audit responsibility of the program. We also reviewed documentation of reporting by the Educational Assistance Organizations (EAOs) for the collection of donations, student counts, amount of scholarships awarded, and program administrative expenses.
- We evaluated the STO's compliance with program and contract requirements for Missouri's 529 Education Plan (MOST) and Missouri's Achieving a Better Life Experience (ABLE) Program. We reviewed minutes of board meetings and reviewed the statutorily required annual report for the MOST Program and the semi-annual reviews for the ABLE Program.
- We also reviewed and relied upon audit work completed by our office at the STO as part of our annual statewide audit of the State of Missouri's financial statements for the fiscal year ended June 30, 2023. This audit work⁸ included review of more than \$14.6 billion in cash and investment balances in various funds and review of \$55 million in expenditure activity for the Abandoned Fund Account (Unclaimed Property) Fund.

⁸ For additional information regarding the audit work completed at the STO, see Report No. 2024-079, *STO Statewide Audits Summary Letter*, issued in September 2024, available at <<https://auditor.mo.gov>>.

Office of State Treasurer

Management Advisory Report

State Auditor's Findings

1. Investment Interest Improperly Retained

The Office of State Treasurer (STO) did not handle investment interest income in accordance with state law for 2 new funds created during the fiscal year ended June 30, 2024.

During the 2023 legislative session, the General Assembly appropriated money to 3 new state funds in House Bill 4 and House Bill 5⁹ when determining appropriations designated for the Interstate 70 (I-70) expansion project. The Office of Administration (OA) then created the respective state funds to hold the related appropriations for the project: State Road Fund I-70 Project Bond Proceeds Fund (Fund 0323), State Road Fund I-70 Project Fund (Fund 0324), and OA I-70 Project Fund (Fund 0334). Revenues into these funds came from the issuance of state road bonds and transfers from the General Revenue Fund (Fund 0101). The STO credited interest income to these funds during the year ended June 30, 2024, totaling approximately \$4,781,000, \$364,000, and \$34,337,000 for Funds 0323, 0324, and 0334, respectively.

Section 30.240, RSMo, specifies that unless otherwise provided by law, all interest received from the investment of state moneys shall be credited by the state treasurer to general revenue. Of the state funds involved in the I-70 expansion project, only the General Revenue Fund was created by state law.¹⁰ The new funds created for the I-70 expansion project did not exist prior to House Bills 4 and 5, and these funds were neither constitutionally nor statutorily created. As an issuer of tax-exempt bonds, the state must comply with federal tax rules both at the time the bonds are issued and during the entire time period the bonds are outstanding in order for the bonds to maintain their tax-exempt status. Therefore, the interest on Fund 0323 must be tracked and segregated. However, since there is no law allowing interest to be credited to Funds 0324 or 0334, there is no legal basis for these 2 funds retaining or being credited with the interest earned from the investment of each fund's respective balance.

STO officials indicated they, in consultation with the OA Division of Accounting, determined Fund 0334 would retain its interest. According to the STO, Fund 0334 was created by the General Assembly in House Bill 5 (2023) as an administrative "account" within Fund 0101 (General Revenue Fund), and because the interest of Fund 0334 is retained in an "account" within Fund 0101, the interest in Fund 0334 has been "credited" to an account within general revenue, thus satisfying the requirements of Section 30.240, RSMo.

However, Section 30.240, RSMo, does not state the interest shall be credited to the General Revenue Fund; rather, it states the interest shall be credited by

⁹ House Bill 4 and House Bill 5, First Regular Session, 102nd General Assembly (2023).

¹⁰ The General Revenue Fund was created pursuant to Section 33.543, RSMo.



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Management Advisory Report - State Auditor's Findings

the state treasurer "to the general revenue."¹¹ Therefore, this interest shall become general revenue which is subject to appropriation by the General Assembly for any purpose. While at one time the General Assembly had the ability to establish accounts within the General Revenue Fund as it deemed necessary when enacting appropriations, this authority was eliminated with the repeal of Section 33.571, RSMo, in 2010.¹²

The STO provided no constitutional or statutory provision to support that Funds 0324 and 0334 are authorized to retain the investment interest income in each fund. Further, no other administratively created account has its interest income credited to the account by the STO unless there is a valid legal basis for such action, such as specific law, a court order, or a federal regulation. The STO has not provided any authority to support that the STO, or the OA, has the ability to make the determination that a specific "fund" or "account" is allowed to retain its interest in the absence of law explicitly setting forth the interest retention. By doing so, interest that should be available for any purpose for which the general revenue is appropriated, is instead reserved only for which the specific purpose that "fund" or "account" is appropriated.

Recommendation

The STO work with the General Assembly to ensure all investment interest income is handled in accordance with state law; and unless otherwise provided by law, ensure all interest received from the investment of state moneys is credited by the state treasurer to general revenue. In addition, the STO should credit interest earned on Funds 0324 and 0334 during fiscal year ended June 30, 2024, to the general revenue in compliance with state law.

Auditee's Response

The State Treasurer's response is included at Appendix A.

Auditor's Comment

The STO's response suggests the SAO is not in agreement with the "clear opinion" that the interest earned on the funds set aside for the reconstruction of Interstate 70 should be retained and dedicated to use for that purpose. This is not an accurate statement. However, the SAO's "opinion" on how interest should be allocated is not the basis for the finding. The audit report unequivocally concludes that state law does not support the STO's retention of interest in these funds. The STO's response provides no legal basis for its

¹¹ While "general revenue" is located in the General Revenue Fund, the General Revenue Fund is the name of the fund where general revenue is located; "general revenue" is that revenue which is subject to appropriation by the General Assembly for any public purpose. Money, once appropriated and received, loses its character as general state revenue (*Petition of Board of Public Buildings*, 363 S.W.2d 598, 604 (Mo. banc 1962)).

¹² Prior to its repeal in 2010, Section 33.571.2, RSMo, specified "[w]hen enacting appropriations, the general assembly may establish such accounts within the general revenue fund as it deems necessary and appropriate to control expenditures, and any appropriation authorizing an expenditure from the general revenue fund shall specify the appropriate account within the general revenue fund."



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Management Advisory Report - State Auditor's Findings

retention of interest in Funds 0324 and 0334, and instead cites a memorandum of understanding between the transportation commission and the Office of Administration, and "contemporaneous communications" with the Governor's office as justification.

More specifically, the STO's response claims Funds 0323 and 0324 are "sub-funds" of the State Road Fund (Fund No. 0320) established by Section 226.220, RSMo. The STO has not provided any authority to support its assertion that Funds 0323 and 0324 are considered "sub-funds" of the State Road Fund. The STO's response relies heavily on *Missouri Health Care Ass'n v. Holden*, 89 S.W.3d 504 (Mo. banc 2002) to support the rationale that a "fund" and a "sub-account," or "sub-fund," are two distinct budgetary mechanisms in the state budget. However, the state financial administration statute discussed in that case, Section 33.571, RSMo, was repealed *in toto* in 2010.¹³ The STO further references a memorandum of understanding between the Missouri Highways and Transportation Commission and the Office of Administration as justification for treating Fund 0324 as a "sub-fund" of the State Road Fund, but provides no explanation of why these funds were not credited/deposited to the State Road Fund (Fund 0320).

Regarding Fund 0334, the STO has provided no legal explanation whatsoever for why Fund 0334 kept its interest in fiscal year 2024. The STO argues, "contemporaneous communications from the Parson Administration and the General Assembly related to the budget compromise represented by these two provisions in HB 5 indicated the consensus understanding that Fund 0334 holds its own interest and is not subject to the biennial sweep." However, "contemporaneous communications" do not carry the force and effect of a duly authorized state law. It should be noted that the vast majority of interest in question (\$34,337,000, or 99 percent of the total) was generated by Fund 0334.

The STO further argues the inclusion of language pertaining to investment interest and the biennial sweep of these funds in the fiscal year 2025 appropriations bills "ratified" the prior communications that Fund 0334 should retain its own interest and not be subject to the biennial sweep. However, appropriation bills have specific effective dates (July 1 through June 30) and an appropriation from fiscal year 2024 cannot be retroactively impacted by an appropriation bill that becomes effective in fiscal year 2025. Furthermore, the inclusion of this new language pertaining to these funds in the fiscal year 2025 appropriation bills implies an awareness that such language was necessary to resolve the investment interest issue going forward.

¹³ Conference Committee Substitute for Senate Committee Substitute for House Committee Substitute for House Bill No. 1965, 95th General Assembly, 2nd Regular Session (2010).



2. Oversight of the MOScholars Program

2.1 Annual audit of program accounts

Improvements are needed in the oversight and monitoring procedures of the Missouri Empowerment Scholarship Accounts (MOScholars) Program. Audits of program accounts were not completed in compliance with state regulation, and procedures have not been established to review required annual reports from Educational Assistance Organizations (EAOs).

The STO did not conduct an annual audit of MOScholars Program accounts as required by state regulations.

Section 166.710.1, RSMo, requires that beginning with the 2023-2024 school year, the State Treasurer "shall conduct or contract for annual audits" of MOScholars Program accounts to ensure compliance with program requirements as stated in Section 166.705.1, RSMo.¹⁴ State statute does not define what constitutes an "audit" as it relates to the MOScholars Program. However, State Regulation 15 CSR 50-5.040(2)(D), states the annual audit shall conform to the standards for auditing of governmental organizations, programs, activities, and functions established by the Comptroller of the United States, also known as *Government Auditing Standards*.¹⁵ The STO did not conduct or contract for an audit in accordance with Government Auditing Standards, but instead performed an internal review of MOScholars Program accounts.

Government Auditing Standards provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. *Government Auditing Standards* contain requirements and guidance to assist auditors in objectively obtaining and evaluating sufficient, appropriate evidence and reporting the results.

2.2 Program reporting

The STO did not have procedures in place to adequately review or monitor annual reports submitted by the EAOs. During our review, a discrepancy in reported amounts was identified.

State Regulation 15 CSR 50-5.040(3)(C) and (E), requires EAOs to file quarterly and annual reports of program activity to the STO. These reports include such information as the amount and number of donations received, amount directed to the EAOs and to the STO for administration purposes,

¹⁴ Section 166.705.1, RSMo, states the provisions to be included in a written agreement between the parent of a qualified student and an EAO, such as, (1) the student shall enroll in a qualified school, (2) enrollment will not be in a public school or charter school within the student's district of residence, (3) grant money (scholarship) will be deposited into the student's MOScholars Program account, and (4) scholarship funds are only to be used for specified purposes.

¹⁵ *Government Auditing Standards* may be obtained at < <https://www.gao.gov/yellowbook> >, accessed March 18, 2025.



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amount of donations directed to student scholarships, etc. Our review of quarterly and annual reports submitted by the 6 EAOs for the 2022-2023 school year identified a discrepancy in the quarterly and annual reports submitted by one EAO. The EAO had reported \$2,500 in administrative expenses on one quarterly report; however, the annual report, which is a summary of the 4 quarterly reports, included no administrative expenses. Once this discrepancy was brought to the attention of the STO, a corrected annual report was obtained from the EAO.

Procedures to review annual EAO reports are necessary to help ensure accuracy and consistency of reported information. Without properly reviewing and monitoring program reports submitted by the EAOs, there is increased risk that errors and noncompliance with program requirements will go undetected.

Recommendations

The Office of State Treasurer:

- 2.1 Ensure annual audits of program accounts are conducted in accordance with state regulation.
- 2.2 Establish procedures to ensure all program reports are reviewed and monitored for accuracy and compliance with program requirements.

Auditee's Response

The State Treasurer's response is included at Appendix A.



Appendix A
Office of State Treasurer
State Treasurer's Response to Audit Recommendations

State Capitol
201 W. Capitol Avenue RM 208
Jefferson City, MO 65101



(573) 751-2411
www.treasurer.mo.gov

VIVEK MALEK
MISSOURI STATE TREASURER

May 22, 2025

Mr. Robert E. Showers
Director of Audits
State Auditor's Office
Jefferson City, Missouri

Dear Mr. Showers:

We have reviewed the findings presented in your office's revised draft audit of the State Treasurer's Office (STO) for the year ended June 30, 2023. It is, however, important to note that the findings identified in this audit occurred during the year ending June 30, 2024, rather than during the year ending June 30, 2023, which places the findings beyond the scope of this particular audit and outside the recusal period of the State Auditor and other State Auditor's Office (SAO) executive staff members who previously served in the STO from all portions of the audit involving the same time period. Below you will find our responses to the audit findings.

SAO Finding and Recommendation 1.

The STO disagrees with Finding 1 and states that all moneys and credits for the two funds have been handled in accordance with state law.

The SAO is alone in its conclusion that investment and interest income from these funds should be credited to general revenue. It is unfortunate and disappointing that the SAO is contradictory in its finding not only with the STO, but also to the will of the people as represented by the General Assembly, the Governor's Office and his administration, who are all of the clear opinion that the investment and interest income earned by these funds set aside for the reconstruction of Interstate 70 should be dedicated to road construction and improvements. The STO's handling of these funds is legally sound, and the STO believes these funds play a pivotal role in promoting our state's economic growth. Good roads attract investment, lead to new business development, create jobs, facilitate access to markets, reduce accidents, and promote safety. The STO fully supports the decision of the current Kehoe Administration, the former Parson Administration, and the General Assembly to ensure that the investment and interest income earned by these funds is dedicated to road construction and improvements of the most significant infrastructure project in a generation.



Appendix A
Office of State Treasurer
State Treasurer's Response to Audit Recommendations

Your revised draft audit identified two funds:

1. The **State Road Fund** [emphasis added] I-70 Project Fund (Fund 0324), and
2. The OA I-70 Project Fund (Fund 0334).

These two identified administrative funds were utilized as part of the fiscal year 2024 appropriation process. As part of the appropriation process supporting the I-70 project, the Missouri General Assembly granted spending authority to the Department of Transportation from Funds 0323 and 0324 in House Bill No. 4 (HB 4). Specifically, HB 4 directed the appropriated moneys as "From the **State Road Fund** [emphasis added] I-70 Project Bond Proceeds Fund (0323)" and "From **State Road Fund** [emphasis added] I-70 Project Fund (0324)." In House Bill No. 5 (HB 5), the General Assembly utilized Fund 0334, which, as related to this letter, provided for the transfer of money among certain funds by the Office of Administration (OA).

First, the HB 4 administrative funds are considered sub-funds of the State Road Fund created by statute under Section 226.220, Revised Statutes of Missouri.

The STO is handling Fund 0323 identically to how prior state treasurers handled administrative bond funds in FY 2001, 2002, 2003, 2004, 2006, 2007, 2008, and 2009. In fact, the FY 2002 administrative fund was also Fund 0323. Fund 0323 is a sub-fund of the State Road Fund because the moneys and credits in Fund 0323 are proceeds from the sale of the State Appropriations Mega Projects State Road Bonds Series A 2023 authorized and issued by the Missouri Highways and Transportation Commission (Commission) in November of 2023. The State Road Fund receives all moneys and credits from the sale of state road bonds. RSMo. §226.220.1(1). As a result, interest and income from Fund 0323 must be credited to that sub-fund.

Similarly, Fund 0324 is also a sub-fund of the State Road Fund because the State Road Fund receives all moneys and credits from any source if they are held for expenditure by or under the department of transportation or the state highways and transportation commission. RSMo. §226.220.1(4). As further evidence that Fund 0324 is a sub-fund of the State Road Fund, the Commission and the OA entered into a Memorandum of Understanding (MOU) on August 16, 2023. That MOU represents the "financing agreement" required under Section 4.429, HB 4 (2023), and Section 5.241, HB 5 (2023). In that MOU, the Commission and the OA specifically acknowledged the consensus understanding that Fund 0324 is a sub-fund of the State Road Fund. The MOU expressly states that Fund 0324 is "a separate fund within the State Road Fund dedicated to the I-70 project." See also Article IV, Section 30(b) of the Constitution of Missouri, and *State Highway Comm'n v. Spainhower*, 504 S.W.2d 121, 125 (Mo. 1973) (It is clear, however, that the people of Missouri, by Article IV, Section 30(b), and the General Assembly, by its enactment of Section 226.220 ... intended that no money be diverted from the state road



Appendix A
Office of State Treasurer
State Treasurer's Response to Audit Recommendations

fund and no other use be permitted of the fund except for the enumerated state highway purposes.) Consequently, interest and income earned by Fund 0324 must be credited to that sub-fund.

Second, HB 5 administratively utilized Fund 0334. HB 5, which began July 1, 2023, and ended June 30, 2024, transferred money out of the treasury to Fund 0334 under Section 5.241 and granted OA authority to transfer that money to Fund 0324 under Section 5.242. Contemporaneous communications from both the Parson Administration and the General Assembly related to the budget compromise represented by these two provisions in HB 5 indicated the consensus understanding that Fund 0334 holds its own interest and is not subject to the biennial sweep.

While the original appropriation in HB 5 included no language related to interest or the biennial sweep, the General Assembly subsequently ratified the prior communications that Fund 0334 hold its own interest and not be subject to the biennial sweep by adding language to HB 5 and the transfer that "[a]ny interest and moneys earned ...shall be deposited to the credit of the OA I-70 Project Fund [Fund 0334] and any moneys remaining in the fund [Fund 0334] at the end of the biennium shall not revert back to the credit of the general revenue fund." HB 5 (2024), which began July 1, 2024, and ends June 30, 2025, was signed by Governor Parson on June 28, 2024. As of the date of this letter, the Truly Agreed and Finally Passed version of HB 5 (2025) includes this identical language.

SAO Finding and Recommendation 2.1.

The STO agrees with the finding and has taken steps to address the matter. The STO appreciates the auditor's acknowledgement that internal reviews of the Missouri Empowerment Scholarship Accounts were performed at the proper frequency required by statute. However, state regulations indicate that annual audits should have been conducted or contracted in accordance with the methodology known as the Government Auditing Standards, which was specifically listed in the state regulation. The STO has engaged OA's Division of Purchasing to award a contract to an independent Certified Public Accountant (CPA) to fulfill the requirements of state regulations.

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Appendix A
Office of State Treasurer
State Treasurer's Response to Audit Recommendations

SAO Finding and Recommendation 2.2.

The STO agrees with the finding and has taken steps to address the matter. A Programs Division has been established to strengthen oversight and management of various programs supported by the STO. In January 2025, the Director of Programs was staffed and is tasked with implementing recommendation 2.2.

Sincerely,

A handwritten signature in blue ink that reads "Vivek Malek". The signature is written in a cursive style with a horizontal line extending from the end.

Vivek Malek, Treasurer
State of Missouri

Appendix B

Office of State Treasurer Statement of Receipts, Disbursements, and Changes in Cash and Investments Year Ended June 30, 2023

STATE TREASURER'S GENERAL OPERATIONS FUND (0164)

Receipts	\$	3,043,540
Disbursements		<u>2,437,028</u>
Receipts Over (Under) Disbursements		<u>606,512</u>
Transfers In ¹		331
Transfers Out ²		<u>(1,006,246)</u>
Receipts Over (Under) Disbursements and Transfers		<u>(399,403)</u>
Cash and Investments, July 1		<u>2,860,362</u>
Cash and Investments, June 30	\$	<u><u>2,460,959</u></u>

TREASURER'S INFORMATION FUND (0255)

Receipts	\$	1,592
Disbursements		<u>2,732</u>
Receipts Over (Under) Disbursements		<u>(1,140)</u>
Transfers In		0
Transfers Out		<u>0</u>
Receipts Over (Under) Disbursements and Transfers		<u>(1,140)</u>
Cash and Investments, July 1		<u>4,001</u>
Cash and Investments, June 30	\$	<u><u>2,861</u></u>

MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND (0278)

Receipts	\$	439,123
Disbursements		<u>490,235</u>
Receipts Over (Under) Disbursements		<u>(51,112)</u>
Transfers In		0
Transfers Out ²		<u>(55,515)</u>
Receipts Over (Under) Disbursements and Transfers		<u>(106,627)</u>
Cash and Investments, July 1		<u>958,875</u>
Cash and Investments, June 30	\$	<u><u>852,248</u></u>

CENTRAL CHECK MAILING SERVICE REVOLVING FUND (0515)

Receipts	\$	73,400
Disbursements		<u>62,677</u>
Receipts Over (Under) Disbursements		<u>10,723</u>
Transfers In		0
Transfers Out ²		<u>(11,026)</u>
Receipts Over (Under) Disbursements and Transfers		<u>(303)</u>
Cash and Investments, July 1		<u>11,274</u>
Cash and Investments, June 30	\$	<u><u>10,971</u></u>

Appendix B

Office of State Treasurer
Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2023

ABANDONED FUND ACCOUNT FUND (0863)

Receipts	\$ 132,287,944
Disbursements	<u>54,656,400</u>
Receipts Over (Under) Disbursements	<u>77,631,544</u>
Transfers In ³	14,793,039
Transfers Out ⁴	<u>(69,662,851)</u>
Receipts Over (Under) Disbursements and Transfers	<u>22,761,732</u>
Cash and Investments, July 1	<u>39,352,919</u>
Cash and Investments, June 30	<u>\$ 62,114,651</u>
 Total Cash and Investments, June 30, All Funds	 <u>\$ 65,441,690</u>

Note: State fund numbers are shown in parentheses after the fund names.

¹ Transfers In consist of net proceeds received from the sale of surplus property.

² Transfers Out generally include payments for fringe benefits and the state's cost allocation plan.

³ Transfers In generally include net proceeds received from the sale of surplus property and the receipt of outdated state checks by the Abandoned Fund Account Fund.

⁴ Transfers Out generally include payments for fringe benefits, distribution of excess cash balance of the Abandoned Fund Account Fund to the General Revenue Fund and the State Public School Fund, and distribution of certain unclaimed property values to the Mental Health Trust Fund in accordance with state laws.

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix C

Office of State Treasurer Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2022			2023		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND (0101)						
Issuing duplicate/outlawed checks	\$ 8,000,000	5,210,291	2,789,709	13,000,000	9,547,911	3,452,089
Refunds of excess interest from the linked deposit program	2,500	30	2,470	2,500	49	2,451
Personal service	8,602	0	8,602	0	0	0
Total General Revenue Fund	8,011,102	5,210,321	2,800,781	13,002,500	9,547,960	3,454,540
STATE TREASURER'S GENERAL OPERATIONS FUND (0164)						
Personal service	2,002,015	1,712,632	289,383	2,137,837	1,780,761	357,076
Expense and equipment	856,195	330,777	525,418	856,195	444,339	411,856
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - expense and equipment	209,989	205,016	4,973	214,609	211,410	3,199
Real Estate personal service	1,294	1,294	0	518	518	0
Total State Treasurer's General Operations Fund	3,069,493	2,249,719	819,774	3,209,159	2,437,028	772,131
TREASURER'S INFORMATION FUND (0255)						
Preparation and dissemination of information or publications, or for refunding overpayments	8,000	165	7,835	8,000	2,732	5,268
Total Treasurer's Information Fund	8,000	165	7,835	8,000	2,732	5,268
MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND (0278)						
Personal service	190,975	33,202	157,773	198,366	94,483	103,883
Expense and equipment	809,025	2,865	806,160	821,924	395,752	426,172
Total Missouri Empowerment Scholarship Accounts Fund	1,000,000	36,067	963,933	1,020,290	490,235	530,055

Appendix C

Office of State Treasurer Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2022			2023		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
CENTRAL CHECK MAILING SERVICE REVOLVING FUND (0515)						
Personal service	13,245	11,035	2,210	14,624	13,756	868
Expense and equipment	100,000	57,740	42,260	100,000	48,921	51,079
Total Central Check Mailing Service Revolving Fund	113,245	68,775	44,470	114,624	62,677	51,947
ABANDONED FUND ACCOUNT FUND (0863)						
Personal service	674,783	584,164	90,619	758,961	614,160	144,801
Expense and equipment	98,600	89,499	9,101	123,600	122,511	1,089
Advertising and auctions	1,475,000	1,421,874	53,126	1,450,000	1,447,803	2,197
Payment of claims for abandoned property transferred by holders to the state	49,000,000	46,412,390	2,587,610	58,000,000	52,471,926	5,528,074
Total Abandoned Fund Account Fund	51,248,383	48,507,927	2,740,456	60,332,561	54,656,400	5,676,161
Total All Funds	\$ 63,450,223	56,072,974	7,377,249	77,687,134	67,197,032	10,490,102

Note: State fund numbers are shown in parentheses after the fund names.

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix D

Office of State Treasurer Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2019	2020	2021	2022	2023
Salaries and wages	\$ 2,175,245	2,248,947	2,262,325	2,341,033	2,503,160
Travel, in-state	8,847	13,217	1,008	1,676	7,339
Travel, out-of-state	17,625	8,671	484	5,437	7,713
Supplies	227,789	209,143	236,342	258,078	165,674
Professional development	27,206	25,194	20,883	26,718	12,593
Communication services and supplies	101,110	113,161	122,151	163,379	133,219
Services:					
Professional	1,099,114	1,075,546	940,372	1,239,000	1,884,800
Housekeeping and janitorial	2,145	1,980	1,688	7,125	6,170
Maintenance and repair	80,621	84,011	58,260	160,454	210,122
Equipment:					
Computer	83,644	10,610	50,342	33,683	5,604
Motorized	0	47,176	0	0	0
Office	5,722	5,600	0	0	13,136
Other	1,375	0	0	1,007	0
Property and improvements	0	0	0	0	3,895
Building lease payments	193,192	192,981	191,765	210,810	214,032
Equipment rental and leases	0	15	0	75	0
Miscellaneous expenses	6,622	4,263	417	1,788	9,688
Refunds	208	198	1,289	30	49
Program distributions:					
Abandoned funds claim payments	43,372,088	38,218,447	44,603,810	46,412,390	52,471,927
Replacement of outlawed checks	1,888,025	2,629,571	2,973,294	5,210,291	9,547,911
Total Expenditures	\$ <u>49,290,578</u>	<u>44,888,731</u>	<u>51,464,430</u>	<u>56,072,974</u>	<u>67,197,032</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix E

Office of State Treasurer
Comparative Statement of Funds in Custody of State Treasurer

	June 30,				
	2019	2020	2021	2022	2023
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 339,723	1,753,729	2,468,047	1,078,825	24,615
Central Bank	(110,197,759)	(38,912,763)	(81,910,694)	(75,160,060)	(97,808,347)
Principal Custody Solutions	0	0	0	6,757	0
Wells Fargo Bank	2,503,721	60,005,009	59,591,941	0	0
Commerce Bank	1,141,197	10,758,154	16,129,790	8,170,708	169,909
UMB Bank	166,337	2,369,409	4,602,369	1,016,430	1,095,292
Collection bank accounts	2,227,451	2,801,637	2,321,181	2,536,348	2,718,693
Total Demand Deposits	<u>(103,819,330)</u>	<u>38,775,175</u>	<u>3,202,634</u>	<u>(62,350,992)</u>	<u>(93,799,838)</u>
Pooled Investments:					
Time deposits	373,181,821	366,673,666	193,316,922	178,854,045	511,016,356
U.S. government securities	2,543,993,000	3,419,134,912	5,403,913,567	12,170,181,129	14,608,490,638
Commercial paper and bankers' acceptances	0	399,392,194	549,859,611	1,177,602,336	346,901,014
Repurchase agreements	1,258,562,000	1,738,646,000	2,158,591,000	1,573,062,000	2,231,163,000
Total Pooled Investments	<u>4,175,736,821</u>	<u>5,923,846,772</u>	<u>8,305,681,100</u>	<u>15,099,699,510</u>	<u>17,697,571,008</u>
Total Demand Deposits and Pooled Investments	<u>4,071,917,491</u>	<u>5,962,621,947</u>	<u>8,308,883,734</u>	<u>15,037,348,518</u>	<u>17,603,771,170</u>
Special Fund Dedicated Investments:					
U.S. government securities	57,292,398	59,648,576	64,607,356	52,825,715	67,460,685
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	<u>57,297,528</u>	<u>59,653,706</u>	<u>64,612,486</u>	<u>52,830,845</u>	<u>67,465,815</u>
Total Appropriated Funds	<u>4,129,215,019</u>	<u>6,022,275,653</u>	<u>8,373,496,220</u>	<u>15,090,179,363</u>	<u>17,671,236,985</u>
NONAPPROPRIATED FUNDS					
Demand deposits	12,950,572	13,552,430	12,840,639	13,927,719	16,120,455
Total Nonappropriated Funds	<u>12,950,572</u>	<u>13,552,430</u>	<u>12,840,639</u>	<u>13,927,719</u>	<u>16,120,455</u>
Total Cash and Investments	<u>\$ 4,142,165,591</u>	<u>6,035,828,083</u>	<u>8,386,336,859</u>	<u>15,104,107,082</u>	<u>17,687,357,440</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix F

Office of State Treasurer

Comparative Statement of Interest Received on Pooled Investments

	Year Ended June 30,				
	2019	2020	2021	2022	2023
INTEREST RECEIPTS					
Appropriated funds	\$ 75,018,369	76,066,140	36,264,936	45,014,386	325,171,699
Total Interest Receipts	<u>\$ 75,018,369</u>	<u>76,066,140</u>	<u>36,264,936</u>	<u>45,014,386</u>	<u>325,171,699</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix G

Office of State Treasurer

Comparative Statement of Unclaimed Property Amounts Received, Returned, and Available to Owners

	Year Ended June 30,				
	2019	2020	2021	2022	2023
Total Unclaimed Property Received	\$ 101,916,463	89,672,836	103,685,859	119,327,507	147,080,513
Total Unclaimed Property Returned ¹	\$ 45,083,225	41,008,896	47,180,315	50,234,803	55,298,354
Cumulative Remaining Unclaimed Property Amount Available to Owners ²	\$ 1,157,969,847	1,211,074,573	1,271,111,475	1,344,672,170	1,440,497,175

¹ Total Unclaimed Property Returned includes amount of unclaimed property claims paid and value of securities reissued.

² The Cumulative Remaining Unclaimed Property Amount Available to Owners includes interest earned on certain interest bearing unclaimed properties.

The accompanying Notes to the Appendixes are an integral part of this statement.



Office of State Treasurer
Notes to the Appendixes

1. Basis of Presentation

Amounts presented in Appendixes B through G are reported on the budgetary or cash basis of accounting. The budgetary basis recognizes revenues as cash is received and expenditures as cash is disbursed. Missouri issues an Annual Comprehensive Financial Report (ACFR) for each fiscal year ended June 30, in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial activity of the Office of State Treasurer is included in the ACFR.

The amounts presented in Appendix B represent receipts, disbursements, transfers, and cash and investment balances of funds that are dedicated to the activities and programs of the office.

The amounts presented in Appendixes C and D represent funds appropriated to the office by the Missouri General Assembly and expended by the office.

The amounts presented in Appendixes E and F represent all funds in the state treasury and all trust funds in the custody of the State Treasurer, if any.

The amounts presented in Appendix G represent unclaimed property amounts received, returned, and available for owners. Unclaimed properties are held by the State Treasurer until returned to their rightful owners.

State treasury funds are subject to appropriation; trust funds are not. The appendixes do not include any funds or investments that are not in the custody of the State Treasurer.

2. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such money on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by at least 2 nationally recognized statistical rating organizations and in commercial paper, issued by domestic corporations receiving the highest rating issued by at least 2 nationally recognized statistical rating organizations. Investments in bankers' acceptances and commercial paper shall mature and become payable not more than 180 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy that shall include an asset allocation plan limiting



Office of State Treasurer
Notes to the Appendixes

the total amount of state money that may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 44 demand deposit bank accounts that serve as the state's primary operating accounts, and 72 additional demand deposit bank accounts throughout the state, some with multiple depositing locations, that serve as collection accounts for various state agencies. Cash balances in the state's operating accounts that are not needed for immediate use are invested.

The demand deposit accounts on Appendix E are used to manage the state's daily receipt, disbursement, and transfer activities and to segregate funds available for investing. The demand deposit accounts consist of the following:

Demand Deposit Accounts

	June 30, 2021		June 30, 2022		June 30, 2023	
	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts
US Bank	2,468,047	1	1,078,825	1	14,919	3
Central Bank	127,171,579	28	99,235,513	32	91,678,090	32
Commerce Bank	16,192,384	8	8,278,121	8	226,042	8
Principal Custody Solutions	0	0	6,757	1	0	0
Wells Fargo	60,000,000	1	0	0	0	0
UMB Bank	4,602,369	1	1,016,430	1	1,095,293	1
Collection bank accounts	2,429,588	81	2,611,078	75	2,742,660	155

Banking service agreements on the operating demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. Negative balances at June 30 (Appendix E) for any bank's appropriated funds demand deposits represent the book balance net of amounts invested.

The State Treasurer's deposits at June 30, 2023, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2023, are listed by type in the following table to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.



Office of State Treasurer
Notes to the Appendixes

Investments in Custody of State
Treasurer - June 30, 2023

	Reported Amount	Fair Value
Time deposits	\$ 511,016,356	510,998,356
U.S. Government securities	14,675,951,323	13,938,239,855
Commercial paper	346,901,014	347,502,800
Repurchase agreements	2,231,163,000	2,231,163,000
Other investments	5,130	142,029
Total investments	\$ 17,765,036,823	17,028,046,040

Investments are recorded at acquisition cost except "other" investments, which are recorded at par value. Investments in time deposits and repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

3. Special Fund Dedicated
Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Appendix E include funds under the control of certain state agencies that represent specific investments made or held by the State Treasurer on behalf of the Pansy Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansy Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.